REPORT ON EXAMINATION

OF

THE GUARDIAN INSURANCE &

ANNUITY COMPANY, INC.

AS OF

DECEMBER 31, 2003

State of Delaware

Department of Insurance

Dover, Delaware

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2003 of the

GUARDIAN INSURANCE & ANNUITY COMPANY

is a true and correct copy of the document filed with this Department.

ATTEST BY: ____________________

DATE: 23RD JUNE 2005

In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 23RD DAY OF JUNE 2005.

____

Insurance Commissioner

____

Deputy Insurance Commissioner

REPORT ON EXAMINATION

OF THE

GUARDIAN INSURANCE & ANNUITY COMPANY

AS OF

December 31, 2003

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 23RD_ day of JUNE, 2005.

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April 14, 2005

Honorable Alfred W. Gross
Chairman Financial Condition,
Subcommittee, NAIC
2301 McGee, Suite 800
Kansas City, Missouri 64108-2604

Honorable Sally McCarthy, Commissioner
Secretary Midwestern Zone
Indiana Department of Insurance
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Secretary Southeastern Zone
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Salt Lake City, Utah, 84114-1201

Honorable Matthew Denn, Commissioner
Delaware Department of Insurance
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 03-024, dated October 29, 2003, an examination has been made of the affairs, financial condition and management of

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

hereinafter referred to as “Company” or “GIAC”, incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801. The examination was conducted at the principal offices of the Company located at 7 Hanover Square, New York, NY 10004-2616. The examination report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 1999. This examination covered the period of January 1, 2000 through December 31, 2003, and consisted of a general survey of the Company's business policies and practices, management and any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the examination date were reviewed where deemed necessary.

The report is presented on an exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. The text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with responsible company officials during the course of the examination.

The general procedures of the examination followed rules established by the National Association of Insurance Commissioners' (NAIC) Committee on Financial Condition as set forth in the Examiner's Handbook.

The examination placed considerable emphasis on the Separate Accounts including a verification of their assets and liabilities as of December 31, 2003.

In addition to items hereinafter incorporated as a part of the written report, the following were checked and made part of the work papers of this examination:

Corporate Records
Fidelity Bond and Other Corporate Insurance
NAIC Financial Ratios
Legal Actions
All Asset and Liability items not mentioned in this report
Subsequent Events

The examination was performed at the main administrative office of the Company in New York City and at the operations center in Bethlehem, Pennsylvania.

The examination was conducted by the Delaware Department of Insurance in accordance with the Association Plan of Examination Guidelines established by the NAIC. No states participated in the examination.

Work papers prepared by the Company's external accounting firm, PricewaterhouseCoopers, (PwC) New York, New York, in connection with the annual audit, were reviewed and relied upon to the extent possible.

INS Services, Inc. was retained by the Delaware Insurance Department to conduct a review of the Company's overall control risk related to information system controls.

HISTORY

The Company was incorporated by its parent, The Guardian Life Insurance Company of America (Guardian Life) a New York corporation on March 2, 1970 under the laws of the State of Delaware as a stock life insurance company authorized to transact the business of life, health, credit life, credit health, variable annuities and variable life insurance.

CAPITALIZATION

The Company was incorporated with authorized capital amounting to $2,000,000 consisting of 20,000 shares of common stock having a par value of $100 per share.

All authorized shares were issued to its parent company, for a consideration of $5,000,000, which represented capital paid up of $2,000,000 and paid in and contributed surplus of $3,000,000.

During the last examination, to comply with new minimum capital requirements enacted by the state of California, an increase in capital was effected by increasing the par value of the

Company's common stock from $100 to $125 per share and shifting $500,000 from paid in and contributed surplus to capital stock thereby increasing capital paid up to $2,500,000. The transaction was made effective December 31, 1999, and involved an amendment to the Company's By-Laws and articles of incorporation. All required filings were made with the various state insurance departments. As of December 31, 2003, the Company possessed total capital and surplus of $222,375,628, which represented a Risk Based Capital ratio of 496%.

Dividends

During the examination period the Company paid an ordinary cash dividend to its parent of $49.9 million in 2001 and received capital contributions from its parent of $25 million in 2002 and $20 million in 2003. The cash contributions were made to maintain the Company's historically strong capital position. The Company experienced weak operating results and realized and unrealized capital losses in their equity products which negatively impacted statutory capital.

MANAGEMENT AND CONTROL

The business affairs and corporate activities are vested in a Board of Directors that is to consist of at least seven members. The directors are elected for a term of one year at the annual stockholder's meeting which is held not less than 30 or more than 120 days after the end of the last preceding fiscal year.

The Board of Directors and Officers, duly elected and appointed in accordance with the By-Laws and serving as of December 31, 2003, were as follows:

Director	Principal Occupation
Robert Ernest Broatch	Executive Vice President & Chief Financial Officer Guardian Life Insurance Company
Joseph Anthony Caruso	Senior Vice President & Corporate Secretary Guardian Life Insurance Company
Armand Michael de Palo	Executive Vice President & Chief Actuary Guardian Life Insurance Company
Edward Konrad Kane	Executive Vice President Guardian Life Insurance Company
Gary Bert Lenderink	Executive Vice President - Risk Management Products Guardian Life Insurance Company
Bruce C. Long	Executive Vice President - Equity Products Guardian Life Insurance Company
Dennis J. Manning	President & Chief Executive Officer Guardian Life Insurance Company

Officers

Bruce Carson Long	President
Joseph Anthony Caruso	Senior Vice President & Corporate Secretary
Barry Ivan Belfer	Treasurer
Charles Gordon Fischer	Vice President & Actuary
Alan Robert Bialeck	Vice President, Tax
Peggy Louise Coppola	Vice President, Equity Business Development
Edward Konrad Kane	Executive Vice President
Hugh Joseph McAleer	Vice President, Selections, Claims & Individual Markets Operation
Dennis Paul Mosticchio	Vice President, Group Pensions
Frank Louis Pepe	Vice President & Controller
Richard Thomas Potter, Jr.	Vice President & Counsel
Thomas George Sorell	Executive Vice President & Chief Investment Officer
Donald Paul Sullivan, Jr.	Vice President, Administration

The By-Laws provide that the Board of Directors may, by resolution passed by a majority, designate one or more committees that shall consist of two or more directors. The Board of Directors has designated an Executive Committee and an Investment Committee to oversee Company operations.

The Executive Committee has any and all powers of the Board of Directors during the interval between Board meetings. The Investment Committee has general control and supervision over the financial affairs and accounts of the Company. The By-Laws provide that the findings of the committees shall be reported to the Board of Directors.

During the period, May 31, 2002 – December 31, 2003, there were six (6) changes, one new appointment and five terminations in either principal officers or directors, which were not reported to the Delaware Insurance Commissioner. Principal officers include all those individuals listed on the Jurat Page of the Annual Statements filed by the Company. Section 4919-Notice of change of directors or officers, of the Delaware Insurance Code states: “Every domestic stock or mutual insurer shall promptly notify the Commissioner in writing of any change of personnel among its directors or principal officers.”

It is recommended that the Company comply with Section 4919 of the Delaware Insurance Code by promptly reporting changes in its principal Officers and Directors.

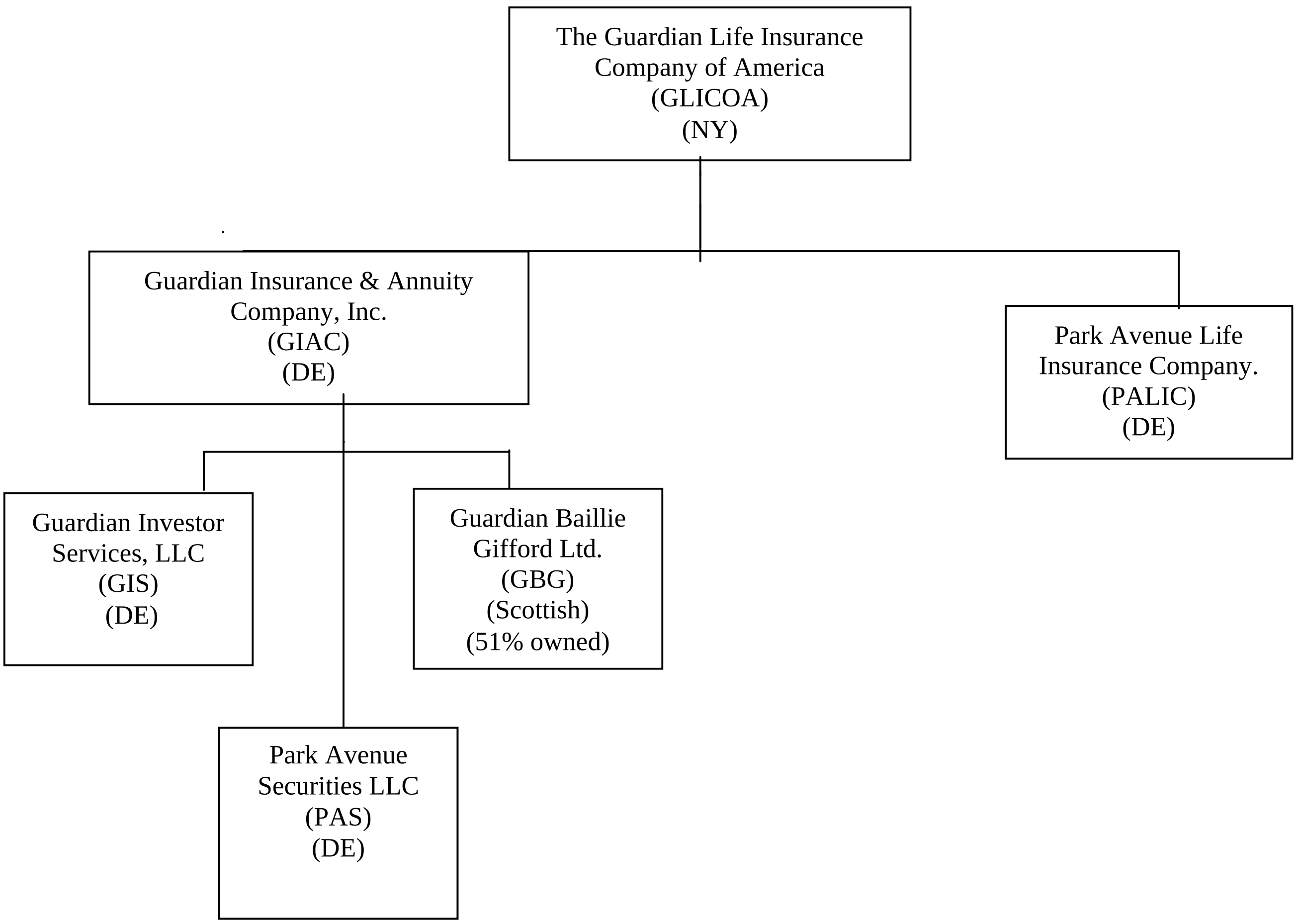
HOLDING COMPANY SYSTEM

The Guardian Insurance and Annuity Company, Inc. is a wholly owned subsidiary of The Guardian Life Insurance Company of America, a mutual life insurance company domiciled in the State of New York which has consolidated assets of $21.7 billion, liabilities of $19.1 billion (including $15.7 billion of reserves), and consolidated capital and surplus of $2.6 billion.

A Holding Company Registration Statement was filed by Guardian Life on behalf of the Company in the State of Delaware on June 1, 2004 for 2003.

The following is an organizational chart provided by the Company as of December 31, 2003.

Organizational Chart
Effective December 31, 2003



MANAGEMENT AND SERVICE AGREEMENTS

Intercompany Agreement for Services and Reimbursement between GIAC and Guardian Life

The Company has entered into an agreement with Guardian Life, pursuant to which Guardian Life provides office space, furniture, equipment, heat and light, clerical staff, employee benefits and the use of Guardian Life's agency force.

The Company is billed quarterly by Guardian Life for all compensation and related employee benefits for those employees of Guardian Life who are engaged in the Company's business and for the Company's use of Guardian Life's centralized services and agency force. The amounts charged for these services amounted to $97.9 million in 2003, $128.7 million in 2002, $138.0 million in 2001 and $145.2 million in 2000.

Expenses are allocated using Guardian Life's cost accounting system. Expenses are allocated to GIAC based upon the services provided by various departments as determined by either the department's supervising officer, manager or through an allocation developed by Guardian Life's cost accounting department utilizing asset information, head count or overhead information.

In consideration for the above services, GIAC agrees to develop and qualify its various products for sale, account for and administer its own activities, follow standards as set by Guardian Life in its operations and repay its share of costs incurred and paid by Guardian Life. The agreement was amended July 19, 2001 to reflect changes in Guardian Life's corporate structure, and was filed with the Delaware Insurance Department on August 21, 2001.

Distribution and Service Agreement between GIAC and Guardian Investor Services LLC (GIS)

The Company amended a distribution and service agreement with GIS (formerly Guardian Investor Service Corporation) (GISC) on December 18, 2001 to act as distributor and underwriter for GIAC's variable products. GIS, which is a wholly owned subsidiary of GIAC, was converted to a limited liability company at that time.

GIS provides investment advisory services to various affiliated diversified open-ended management companies sponsored by Guardian Life and GIAC. GIS receives investment advisory fees ranging from .25% to .75% and an administrative fee up to .25% of the average daily net assets of the respective mutual funds. The Company's business activities include the distribution of shares of The Park Avenue series fund consisting of thirteen portfolios.

Tax Allocation Agreement between GIAC and Guardian Life

The Company entered into a consolidated federal income tax allocation agreement with Guardian Life effective for all tax years following December 31, 1983. The tax liability is allocated to the members of the group in the ratio that each member's separate return tax liability for the year bears to the sum of the separate return tax liabilities of all the members. Per the agreement the tax charge shall not exceed the amount that would be paid had the member filed on an individual basis. The agreement was amended July 19, 2001 to reflect changes in Guardian Life's corporate structure, and filed with the Delaware Insurance Department on August 21, 2001.

TERRITORY AND PLAN OF OPERATION

Territory:

At December 31, 2003, the Company was licensed to conduct life and health insurance business in all fifty states and the District of Columbia.

Plan of Operation:

The Company's primary business is the sale of variable deferred annuity contracts and variable and term life insurance policies. For variable products, other than 401(k) products, contracts are sold by insurance agents who are licensed by GIAC and are either Registered Representatives of Park Avenue Securities, LLC (PAS) or of other broker dealer firms that have entered into sales agreements with GIAC. The Company's general agency distribution system is used for the sale of other products and policies. In October of 2002, the Company and Guardian Life discontinued selling new Group Pension business but will continue servicing existing pension plans.

The Company offers fixed and variable annuities on an individual or group basis under plans that are categorized as tax qualified or non-tax qualified in accordance with the Internal Revenue Code. The Company has issued fixed and variable annuities since 1971, and variable life products since 1985. In 1993 the Company began to offer policies under a new 10-year term specialty life program. All policies are issued on a non-participating basis.

The sale of other products and policies is generated by the Company's general agency distribution system, which is primarily the agency force of the parent company. The parent's agency force consists of approximately 22,216 agents made up of 8,186 authorized agents and approximately 14,030 unaffiliated broker/dealers.

PAS, a wholly owned subsidiary of the Company, is a registered broker dealer under the Securities and Exchange Act of 1934. PAS was established as a broker dealer during 1999 and assumed the registered representatives formerly affiliated with Guardian Investor Services LLC (GIS) (formerly Guardian Investor Service Corporation). GISC officially converted from a New York corporation to a limited liability company organized in the State of Delaware. Effective December 19, 2001, the GISC name was changed to Guardian Investor Service LLC.

GIS, a wholly owned subsidiary of the Company, is a registered broker dealer under the Securities and Exchange Act of 1934 and is a registered investment advisor under the Investment Adviser's Act of 1940. GIS is the distributor and underwriter for GIAC's variable products, and the investment advisor to certain mutual funds sponsored by GIAC, which are investment options for the variable products.

During 2003, 2002, 2001 and 2000, premium and annuity considerations produced by PAS and GIS amounted to $311.9 million, $422.8 million, $494.7 million and $682.4 million, respectively.

The Company, in agreement with Baillie Gifford Overseas Ltd., has an interest in a company - Guardian Baillie Gifford Ltd. (GBG) - that is organized as a corporation in Scotland. GBG is registered in both the United Kingdom and the United States to act as an investment advisor for the Baillie Gifford International Fund (BGIF), the Baillie Gifford Emerging Markets Fund (BGEMF), The Guardian Baillie Gifford International Fund (GBGIF) and The Guardian Baillie Gifford Emerging Markets Fund (GBGEMF). The Funds are offered in the U.S. as investment options under certain variable annuity contracts and variable life policies.

The Company has established seventeen insurance separate accounts primarily to support the variable annuity and life insurance products it offers. The majority of the separate accounts are unit investment trusts registered under the Investment Company Act of 1940. Proceeds from the sale of variable products are invested through these separate accounts in certain mutual funds specified by the contractholders. Of these separate accounts the Company maintains two separate accounts whose sole purpose is to fund certain employee benefit plans of Guardian Life.

A detailed description of the separate accounts and their use by the Company can be found later in this Report under the caption, "Separate Account Assets".

Variable annuities, which have been deemed to be securities under Federal law and their selling entities (brokers/dealers) are subject to regulation by the Securities and Exchange Commission and the National Association of Securities Dealers.

GROWTH OF COMPANY

The financial changes during the period under examination as reported by the Company in its filed Annual Statements are shown below:

Year	Admitted Assets	Capital & Surplus	Premiums, Annuity Considerations and Deposits	Net Income
2003	$ 9,810,409,444	$ 222,375,628	$ 1,735,129,249	$ (12,738,018)
2002	$ 8,431,555,727	$ 210,144,429	$ 1,688,017,218	$ (39,599,025)
2001	$ 9,373,418,114	$ 220,840,587	$ 1,560,847,211	$ (6,255,449)
2000	$ 10,817,098,247	$ 275,622,996	$ 1,935,275,390	$ 50,530,019
1999	$ 11,856,586,964	$ 238,249,219	$ 1,539,613,906	$ 53,014,916

Since December 31, 1999, the Company's financial results were as follows:

- ❑ A 17.3 % decrease in admitted assets
- ❑ A 6.7 % decrease in capital & surplus, and

- A 12.7 % increase in premiums, annuity considerations and deposit funds
- A 124% decrease in net income

The decrease in admitted assets was mainly attributable to industry wide low interest rates and volatile equity markets that also had an impact on the Company's net income. In the year 2001, capital and surplus declined by approximately $55 million mainly due to a $49.9 million dividend paid to its parent. During 2002 and 2003 the parent contributed $45 million in the form of cash contributions to offset the decline.

REINSURANCE

Following is a summary of the principal reinsurance agreements in effect as of December 31, 2003:

Assumed

The Company reported no assumed business as of December 31, 2003.

Ceded

The Company entered into coinsurance, modified coinsurance and yearly renewable term agreements primarily with its parent, The Guardian Life Insurance Company of America and other entities to provide for reinsurance of selected variable annuity contracts and group and individual life policies.

Affiliated Company

Risks ceded to its parent as of December 31, 2003, consisted of policies in force amounting to $ 9,383,272,790 or approximately 99.47% of all of the reinsured policies in force of $ 9,433,168,527. The modified coinsurance and yearly renewable term agreements accounted for 100 % of the Company's total reinsurance reserve credit taken of $ 37,916,789.

The affiliated reinsurance contracts in effect as of December 31, 2003 are as follows:

Type of Contract	Effective Date	Line of Business	Retention/Limits
Automatic reinsurance- yearly renewable term (also covered by two other unaffiliated reinsurers)	9/15/85	Single premium variable life	10% ($ 100,000 maximum) on risks over $ 250,000 and 100% on risks under $ 250,000
First Excess Automatic Reinsurance- yearly renewable term	7/1/89	Annual premium variable life	$ 5,000,000 ($2.5 million for substandard) excess of $250,000
Modified coinsurance	1/1/93	Variable annuity contracts issued from 1/1/93 to 1/1/95	50% in 1993 20% in 1994
Automatic Coinsurance/ Modified coinsurance	1/1/93	Level benefit term	10% of each policy up to a per life maximum of $ 500,000
Coinsurance/Modified Coinsurance	9/1/95	Variable life	10% of each policy up to a per life maximum of $ 500,000
Risk Premium- yearly renewable term	9/1/95	Variable life	10% of each policy up to a per life maximum of $ 500,000
Automatic Indemnity Modified Coinsurance	2/1/98	Group Universal life	10% of each policy up to a per life maximum of $ 500,000

Non-affiliated Companies:

The Company entered into one new quota share agreement during the examination period with an unauthorized reinsurer for policies having an in-force value of $ 2,233,815. No reserve credit was taken.

The non-affiliated reinsurance agreements in effect as of December 31, 2003 are as follows:

Type of Contract	Effective Date	Line of Business	Retention/Limits
Automatic reinsurance- yearly renewable term- covered by two reinsurers	9/15/85	Single premium variable life	10% ($ 100,000 maximum) on risks over $ 250,000 and 100% on risks under $ 250,000
Automatic reinsurance- yearly renewable term	9/1/99	Flexible Premium Variable Annuity- guaranteed minimum death benefit	None-100 % retrocession

Automatic quota share	9/1/01 *	Annuity contracts for the guaranteed minimum death benefit and earnings enhancement benefit claims.	Dependent upon the year of death and the amount of the annuity contract.

* The above agreement was inadvertently recorded with the Company's parent as named reinsured in a binder agreement, which lacked sufficient defined provisions that a reinsurance agreement should contain per the NAIC Financial Examination Handbook. The reinsurer did not execute the reinsurance agreement until March 18, 2004. The Guardian executed the agreement on April 7, 2004 and subsequently amended the agreement on June 7, 2004 to include GIAC as the actual ceding company.

It is recommended that upon entering into reinsurance agreements there should be clear and definitive provisions that accurately name the intended parties to the agreement and that such agreements should be executed in a timely manner.

In 2003 under both affiliated and non-affiliated reinsurers the Company ceded approximately 4.65% or $84,530,516 of its total direct written premiums and annuity considerations of $1,819,659,765 in 2003 and its maximum retained liability for any one agreement is $5,000,000.

ACCOUNTS AND RECORDS

In accordance with the service agreement previously discussed under the section captioned "Management and Service Agreements", Guardian Life provides the services and personnel necessary for the Company to conduct its operations. The accounts and records reviewed included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer systems, accounting systems, organizational structure, and the processing structure. The Company's accounts and records are maintained in the New York, New York and Bethlehem, Pennsylvania offices. The Company utilizes Guardian Life's mainframe located in Bethlehem for processing, updating, and storing the primary records of the company. Personal computers and file servers support financial reporting and analysis. In general, it has been determined that the Company has sufficient levels of controls in place for all of the above areas. The Company performs full system backups and rotates copies of programs and data files to its off-site storage facility on a weekly basis. The Company has a disaster recovery plan that covers its mainframe operations that is periodically tested.

The internal control structure for the Company's accounting systems were discussed with management and reviewed after completion of questionnaires developed by the NAIC and the Delaware Department of Insurance. The statutory-basis financial statements of the Company are audited annually by PwC, an independent certified accounting firm. The Company's accounts and records are also subject to review by the internal audit department of Guardian Life. Based on the examination review of Annual Statement classifications and subsequent discussions with management, the accounting system and procedures conformed to insurance accounting standard practices and requirements.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2003.

Analysis of Assets
Liabilities, Surplus and Other Funds
Summary of Operations
Capital and Surplus Account
Examination and Surplus Changes

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding. With the exception of Separate Account Assets and Liabilities and Aggregate Reserve on Life Policies and Contracts account, write-ups on the individual accounts in the Notes to the Financial Statements section of this report are presented on the "exception basis". Only comments relative to adverse findings, material financial changes or other significant regulatory concerns are noted. Based on the results of this examination, no financial adjustments were made for examination purposes.

Analysis of Assets

December 31, 2003

	Assets	Nonadmitted Assets	Net Admitted Assets	Note
Bonds	$1,596,960,707	-0-	$1,596,960,707	
Common stocks	48,539,030	-0-	48,539,030	
Mortgage loans	1,000,000	-0-	1,000,000	
Cash and short-term investments	239,259,711	-0-	239,259,711	
Contract loans	84,160,874	-0-	84,160,874	
Aggregate write-ins for invested assets	331,330	-0-	331,330	
Investment income due and accrued	28,962,176	-0-	28,962,176	
Uncollected premiums and agents' balances	(18,829,149)	93,370	(18,922,519)	
Deferred premiums not yet due	3,213,676	-0-	3,213,676	
Amount recoverable from reinsurers	3,531,930	-0-	3,531,930	
Other amounts receivable under reinsurance contracts	15,731,694	-0-	15,731,694	
Current federal and foreign income tax recoverable	12,402,145	-0-	12,402,145	
Net deferred tax asset	31,412,300	23,385,523	8,026,777	
Guaranty funds receivable or on deposit	26,258	-0-	26,258	
Electronic data processing equipment	87,583	87,583	-0-	
Health care and other amount receivable	97,565	97,565	-0-	
Aggregate write-ins for other than invested assets	65,833,779	4,960,705	60,873,074	
From separate accounts	7,726,312,581	-0-	7,726,312,581	1
Total Assets	$9,839,034,189	$28,624,746	$9,810,409,444	

Liabilities, Surplus and Other Funds

December 31, 2003

		Note
Aggregate reserve for life policies and contracts	$1,883,241,194	2
Policy and contract claims: Life	1,846,214	
Premiums and annuity considerations received in advance	20,513	
Commissions to agents due or accrued	761,780	
General expenses due or accrued	3,812,087	
Transfers to separate accounts due or accrued	(79,821,114)	
Taxes, licenses and fees due or accrued	4,501,786	
Unearned investment income	1,459,106	
Amounts withheld or retained by company as agent or trustee	2,253,707	
Remittances and items not allocated	67,305,200	
Net adjustment due to foreign exchange rates	42,217	
Asset valuation reserve	11,467,564	
Payable to parent, subsidiaries and affiliates	25,478,169	
Aggregate write-ins for liabilities	54,182	
Total liabilities excluding separate accounts	$1,922,422,607	
From separate accounts statements	7,665,611,209	3
Total liabilities	$9,588,033,816	
Common capital stock	$2,500,000	
Gross paid in and contributed surplus	181,898,292	
Aggregate write-ins for special surplus funds	60,089,757	
Unassigned funds (surplus)	(22,112,421)	
Surplus	$219,875,628	
Total Capital and Surplus	$222,375,628	
Total Liabilities, Surplus and Other Funds	$9,810,409,444	

Summary of Operations

Year Ended December 31, 2003

Premiums and annuity considerations	$1,735,129,249
Net investment income	91,047,871
Amortization of interest maintenance reserve	(879,271)
Separate accounts net gain from operations	332,420
Commissions and expense allowances on reinsurance ceded	16,045,140
Reserve adjustments on reinsurance ceded	57,430,081
Aggregate write-ins for miscellaneous income	64,152,916
Total Income	$1,963,258,405
Death benefits	$6,644,305
Annuity benefits	1,705,745,969
Disability benefits and benefits under accident and health policies	159,241
Surrender benefits and other fund withdrawals	22,308,584
Group conversions	(13,281)
Interest and adjustments on contracts or deposit-type contract funds	64,971
Increase in aggregate reserves for life and accident and health contracts	721,636,574
Commissions on premiums and annuity considerations	58,718,222
General insurance expenses	96,338,234
Insurance taxes, licenses and fees	9,438,196
Increase in loading on deferred and uncollected premiums	716,340
Net transfers to or (from) separate accounts net of reinsurance	(630,942,964)
Aggregate write-ins for deductions	11,984
Total Expenses	$1,990,826,373
Net gain from operations before dividends to policyholders and federal income taxes	(27,567,967)
Federal income taxes incurred	(14,658,773)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	(12,909,194)
Net realized capital gains	171,177
Net Income	$(12,738,018)

Capital and Surplus Account

December 31, 2002 to December 31, 2003

Capital and Surplus, December 31, 2002	$210,144,429
Net income	(12,738,018)
Change in net unrealized capital gains (losses)	1,004,401
Change in net unrealized foreign exchange capital (losses)	(43,463)
Change in net deferred income tax	6,005,419
Change in non-admitted assets and related items	9,456,313
Change in asset valuation reserve	(11,453,453)
Other changes in surplus in separate account statement	3,777,034
Surplus adjustments: Paid in	20,000,000
Aggregate write-ins for gains and losses in surplus	(3,777,035)
Net change in capital and surplus for the year	12,231,199
Capital and Surplus, December 31, 2003	$222,375,628

Schedule of Examination Adjustments

No financial adjustments were made for examination report purposes.

NOTES TO FINANCIAL STATEMENTS

1. From Separate Account Assets $7,726,312,581

The amount transferred from the separate account consists mainly of the following common stock funds:

Separate Accounts
December 31, 2003

Separate Account	Product	Assets
VA 1	Variable Annuity 1	$24,052,960
VA 2	Variable Annuity 2	8,203,409
GVL	Value Guard	112,386,605
SA A	Value Guard II	557,769,131
SA B	Value Plus	227,126,701
SA C	Select Guard	7,000,443
SA D	Guardian Investor	2,076,808,889
SA E	Guardian Investor-RAM	1,356,553,163
SA F*	Guardian C+C Variable	179,525,299
SA H	401k Investor	114,771,056
SA I	Guardian EISP/CIP	203,888,700
SA K	Park Avenue Life	208,335,729
SA L	Guardian Advantage	2,332,774,732
SA M	Variable Universal Life	33,418,768
SA N*	VUL & SVUL Series	34,455,098
SA Q*	Guardian Investor-IAVA	81,973,020
Total	Common Stocks	$7,559,043,703
SA G	Guardian EISP/CIP-Bonds	106,567,506
Separate Account	Surplus	60,701,372
Total		$7,726,312,581

*Separate Accounts F, N and Q were established during the examination period.

All amounts were obtained from the Separate Account Annual Reports to policy owners/ contract owners.

The Company has established seventeen insurance separate accounts primarily to support the variable annuity and life insurance products it offers. The majority of the separate accounts are unit investment trusts registered under the Investment Company Act of 1940.

Proceeds from the sale of variable products are invested through these separate accounts in certain mutual funds specified by the contract owners. Of these separate accounts the Company maintains two separate accounts (SA I and SA G) whose sole purpose is to fund certain employee benefit plans of the Guardian Life.

The assets and liabilities of the separate accounts are clearly identified and distinct from the other assets and liabilities of the Company. The assets of the separate accounts are not charged with liabilities arising out of any other business of the Company. However, the obligations of the separate accounts, including the promise to make annuity and death benefit payments, remain obligations of the Company. Assets and liabilities of the separate accounts are stated primarily at the market value of the underlying investments and corresponding contract owner obligations.

The amounts provided by the Company to establish Separate Account investment portfolios (seed money) are included in Separate Account Assets. During the examination period in 2001, GIAC redeemed all seed money from the Separate Accounts in the amount of $32.8 million.

Pursuant to an agreement with the New York State Insurance Department, the Company maintains assets in each of its separate accounts for the mortality risk associated with contracts in the annuity payout phase. Such accounts are referred to as the Annuity Mortality Fluctuation Fund (AMFF) and are in the cash subdivisions of the Separate Accounts. The year-end AMFF balances, for each of the four years under examination, ending were: $51,249,341 in 2000, $58,857,792 in 2001, $56,303,543 in 2002, and $60,089,757 in 2003.

The Company established three additional separate accounts during the examination period. The Guardian Separate Account N was established on September 23, 1999 and commenced operations on July 20, 2000. The Guardian Separate Account F was established on February 24, 2000 and commenced operations on October 9, 2000. The Guardian Separate Account Q was established on March 14, 2002 and commenced operations on July 22, 2002.

A significant portion of the Company's separate account assets is invested in affiliated mutual funds. Each of these funds has an investment advisory agreement with GIS, except for the Baillie Gifford Funds. Investments in the affiliated managed funds as of December 31, 2003 were $3.42 billion of separate account assets as compared $6.67 billion at the prior examination date.

A brief description of the Company's separate accounts follows:

Guardian Variable Accounts 1 and 2

The Guardian Variable Accounts 1 and 2 are registered unit investment trusts under the Investment Company Act of 1940, as amended, established by GIAC. The mutual fund available under the contracts supported by Variable Accounts 1 and 2 is The Guardian Park Avenue Fund. Net proceeds from the sale of certain variable annuity contracts are invested in shares of the fund.

Guardian / Value Line Account-"Value Guard"

The Guardian / Value Line Separate Account, a unit investment trust registered under the Investment Company Act of 1940, as amended, was established by GIAC on October 6, 1980. GIAC issues the deferred variable annuity contracts offered through the Account. GIAC provides for accumulations and benefits under the contracts by crediting the net premium purchase payments to one or more investment divisions within the Account or to the Fixed Rate Option. Amounts allocated to the Fixed Rate Option are maintained by GIAC in its general account. The primary variable investment options utilized under these contracts are The Guardian Park Avenue Fund and the Value Cash Line Fund.

Separate Account "A"-"Value Guard II"

The Guardian Separate Account "A", a unit investment trust registered under the Investment Company Act of 1940, as amended, was established by GIAC on October 31, 1981. GIAC issues the deferred variable annuity contracts offered through the Account. GIAC provides for accumulations and benefits under the contracts by crediting the net premium purchase payments to one or more investment divisions established within the Account, or to the Fixed Rate Option, as selected by the contract owner. Amounts allocated to the Fixed Rate Option are maintained by GIAC in its general account. The primary investment options utilized under these contracts are: The Guardian Stock Fund, The Guardian Bond Fund, The Guardian Cash Fund, Gabelli Capital Asset Fund, Baillie Gifford International Fund, Value Line Centurion Fund and the value Line Strategic Asset Management Trust.

Separate Account "B"-"Value Plus" Single Premium Variable Life Insurance

The Guardian Separate Account B, a unit investment trust registered under the Investment Company Act of 1940, as amended, was established by the Company on November 16, 1984. GIAC issues the single premium variable life insurance policies offered through the Account. GIAC provides for variable accumulations and benefits under the policies by crediting the net premium payments or policy loan repayments to one or more investment divisions established within the Account, as selected by the policyholder. The primary investment options utilized under these contracts are: The Guardian Stock Fund, The Guardian Bond Fund, The Guardian Cash Fund, Value Line Centurion Fund, and Value Line Strategic Asset Management Trust.

Separate Account "C"-"Select Guard" Annual Premium Variable Life Insurance

The Guardian Separate Account C, a unit investment trust registered under the Investment Company Act of 1940, as amended, was established by the Company on August 10, 1988. GIAC issues the Annual Premium Variable Life Insurance policies offered through the Account. GIAC provides for variable accumulations and benefits under the policies by crediting the net premium payments to one or more investment divisions established within the Account as selected by the policy owner. The primary investment options utilized under these contracts are: The Guardian Stock Fund and the Value Line Strategic Asset Management Trust.

Separate Account "D"-"Guardian Investor"

The Guardian Separate account D, a unit investment trust registered under the Investment Company Act of 1940, as amended, was organized by GIAC on August 23, 1989. GIAC issues the individual and group deferred variable annuity contracts offered through the Account. GIAC also provides for accumulations and benefits under the contracts by crediting the net premium purchase payments to one or more investment divisions established within the Account or the Fixed Rate Option, as selected by the contract owner. Amounts allocated to the Fixed Rate Option are maintained by GIAC in its general account. The primary investment options utilized under these contracts are: The Guardian Stock Fund, The Guardian Bond Fund, The Guardian Cash Fund, The Guardian Small Cap Stock Fund, Gabelli Capital Asset Fund, Baillie Gifford International Fund, Baillie Gifford Emerging Markets Fund, Value Line Centurion Fund, Value Line Strategic Asset Management Trust, MFS Total Return Series, Fidelity VIP Contra Fund (SC) and the Fidelity VIP Mid Cap Growth (SC).

Separate Account “E”-Guardian Investor -RAM

Separate Account E was established on September 26, 1996 and commenced operations on September 15, 1997. GIAC issues the individual deferred variable annuity contracts through the Account. GIAC provides for accumulations and benefits under contracts by ceding the net premium purchase payments to one or more of forty-three investment options. The primary investment options utilized under these contracts are: Guardian Cash Fund, Guardian Stock Fund, Guardian Bond Fund, Guardian Small Cap Stock Fund, Baillie Gifford International Fund, Gabelli Capital Asset Fund, Value Line Centurion Fund, Value Line Strategic Asset Management Fund, MFS Investor Trust Series, MFS Total Return Series, Fidelity VIP Equity Income Portfolio, Fidelity VIP Contra Fund, Fidelity VIP Mid Cap Growth, Janus Aspen World Wide, and the Davis VA Value Portfolio.

Separate Account “F”-Guardian C + C Variable Annuity

Separate Account F was established by the Company on February 24, 2000 and commenced operations on October 9, 2000. GIAC issues the flexible premium variable annuity contracts through the Account. GIAC provides for accumulations and benefits under contracts by ceding the net premium purchase payments to one or more of forty-five investment options. The primary investment options utilized under these contracts are: Guardian Cash Fund, Guardian Stock Fund, Guardian Bond Fund and the Fidelity VIP Equity Income Portfolio.

Separate Account “G”-Guardian Life EISP/CIP Plan

The Company established separate Account G on December 1, 1993. The Account offers a group annuity contract to the Trustees of The Guardian Employees Incentive Savings Plan Trust (EISP) and the Cooperative Investment Plan (CIP). The CIP covers Guardian Life’s field representatives and home office employees who are covered by a Sales Incentive Compensation

Plan. Participants in the EISP or CIP may invest in one or more of five funds. The Fixed Income Fund (GIAC Separate Account G) is comprised of money invested in a "group annuity contract" with GIAC, which earns interest at a fixed rate guaranteed up to one year. Two other EISP/CIP options are the Baillie Gifford International Fund and The Guardian Cash Fund, (Separate Account I). The other two EISP/CIP investment options, Stock Fund and Bond Fund, are not GIAC contracts.

Separate Account G moneys are invested primarily in long-term bonds.

Separate Account "H"- The 401(k) Investor

The Guardian Separate Account H was organized by GIAC on February 28, 1991. The Company issues the group allocated and unallocated deferred variable annuity contracts offered through the Account. GIAC provides for accumulations and benefits under the contracts by crediting the net premium purchase payments to one or more investment divisions established within the Account or to the Fixed Rate Option, as selected by the contract owner. Amounts allocated to the Fixed Rate Option are maintained by GIAC in its general account. The contract owner may transfer his or her contract value among the eight investment options within the Account or the Fixed Rate Option. The eight investment options of the Account correspond to the following underlying mutual funds in which the investment option invests: The Guardian Cash Fund, The Guardian Bond Fund, The Guardian Stock Fund, Value Line Centurion Fund, Value Line Strategic Asset Management Trust, Baillie Gifford International Fund, Baillie Gifford Emerging Markets Fund and the Gabelli Capital Asset Fund.

Separate Account "I"

The Guardian Separate Account I was established February 18, 1992 to receive amounts contributed by employees of Guardian Life to be invested in the Baillie Gifford International Fund, Guardian Small Cap Stock Fund and The Guardian Stock Fund.

Separate Account "K"-"Park Avenue Life"

The Guardian Separate Account K, a unit investment trust registered under the Investment Company Act of 1940, as amended, was established by GIAC on September 1, 1995. GIAC issues the annual premium variable life insurance policies offered through the Account. GIAC provides for variable accumulations and benefits under the policies by crediting the net premium payments to one or more investment divisions established within the Account as selected by the policy owner. The Account currently has forty-seven investment options. The primary investment options utilized under these contracts are: The Guardian Stock Fund, Value Line Centurion Fund and the Value Line Strategic Asset Management Fund.

Separate Account "L"- The Guardian Advantage

The company established the Guardian Separate Account L on September 28, 1995. The Company offers an unallocated group pension contract that is issued in connection with retirement plans that qualify for favorable tax treatment under section 401(a) of the U.S. Internal Revenue Code. A designated plan fiduciary shall be responsible for selecting the investment options under the plan. The Account currently comprises sixty-three investment options. The primary investment options utilized under these contracts are: Guardian Park Avenue Fund, Guardian Asset Allocation Fund, Guardian Cash Management Fund, Guardian Investment Quality Bond Fund, Guardian Park Avenue Small Cap Fund, Baillie Gifford Emerging Markets, MFS Government Securities Fund, MFS Massachusetts Investors Growth Fund, Fidelity Advisor

Equity Income Fund, Fidelity Advisor High Yield Bond Fund, Fidelity Advisor Growth Opportunities Fund, Fidelity Advisor Mid Cap Fund, AC Ultra Investors Fund, AC International Equity Fund, AC Value Fund, AIM Constellation Fund, AIM Premier Equity, Dreyfus A Bonds Plus Fund, Dreyfus Appreciation Fund, Dreyfus S & P 500 Index Fund, Janus Worldwide Fund and the Janus Aspen Mid Cap Growth.

Separate Account "M"- Variable Universal Life

The Company established the Guardian Separate Account M on January 28, 1998. The Company issues flexible premium variable universal life insurance policies through this Account. GIAC provides for variable accumulations and benefits under the policies by crediting the net premium payments to one or more investment divisions established within the Account, or the fixed rate option as selected by the policy owner. The amounts allocated to the fixed rate option are maintained by GIAC in the general account. A policy owner may only invest in up to seven investment options.

Separate Account "N"-Park Avenue VUL & SVUL Millennium Series

The Company established Separate Account N on September 23, 1999 and commenced operations on July 20, 2000. GIAC issues variable annuity contracts through the Account. GIAC provides for accumulations and benefits under contracts by ceding the net premium purchase payments to one or more of thirty-five investment options. The primary investment options utilized under these contracts are: Guardian Cash Fund, Guardian Stock Fund and the Guardian Small Cap Stock Fund.

Separate Account "Q"-Guardian Investor Income Access Variable Annuity

The Company established Separate Account Q on March 14, 2002 and commenced operations on July 22, 2002. GIAC issues the flexible premium variable annuity contracts through the Account. GIAC provides for accumulations and benefits under contracts by ceding the net premium purchase payments to one or more of forty-five investment options. The primary investment options utilized under these contracts are: Guardian Cash Fund, Guardian Bond Fund, Fidelity VIP Balanced Portfolio, Fidelity VIP Investment Grade Fund and the Franklin Rising Dividend Fund.

A brief description of the investment options available in conjunction with the sale of the Company's policies, contracts and employee benefit plans follows:

Fixed Rate Option

The Fixed Rate Option is available to annuity contract owners and variable universal life insurance policyholders. The Fixed Rate Option is not available to the single premium variable life insurance (SPVLI) or annual premium variable life insurance (APVLI) policyholders. The contract owners' funds invested in the Fixed Rate Option are maintained in the Company's general account, with exception of the Guardian Life EISP/CIP fixed rate option funds which are invested in Separate Account "G". The Company's Board of Directors approves the fixed option rate, which may be guaranteed up to one year.

The Guardian Tradition Single Premium Deferred Annuity

GIAC began to offer The Guardian Tradition on February 1, 1996. The annuity is funded with one payment. The fixed account is the only investment option and is part of the Company's general account. The Company guarantees an interest rate for one contract year and also fully guarantees the contract owner's principal.

2. Aggregate Reserve for Life Policies and Contracts $1,883,241,194

The Department's consulting actuary, INS Consultants, Inc. (INS) prepared the 2003 Certificate of Reserve Valuation for the Company as well as performing the reserve analysis for this examination. During that process, Company work papers and tabulation reports were reviewed, and the reserves were reconciled to Exhibit 5, of the Company's 2003 General Account Annual Statement. The reserve breakdown in Exhibit 5, by type of benefit, is presented in the following table:

Reserve Segment	Total (Net)
Life Insurance	$98,458,580
Annuities	1,749,312,611
Accidental Death Benefits	7,952
Disability - Active Lives	670,790
Disability – Disabled Lives	11,610
Miscellaneous Reserves	34,779,651
Total	$1,883,241,194

3. From Separate Account Statement Liabilities $7,665,611,209

The following amounts represent the liabilities transferred from the separate account to the general account as of December 31, 2003.

Reserve Accounts	Total (Net)
Aggregate reserve for life and annuity contracts*	$7,585,704,753
Other transfer to general account due & accrued	60,610,968
Charges for investment management fees	19,210,146
Federal and foreign income taxes due & accrued	85,342
Total	$7,665,611,209

*Aggregate reserve for life and annuity policies and contracts in the amount of $7,585,704,753 is the same as that reported by the Company in its 2003 Separate Accounts Annual Statement. The reserve breakdown in Exhibit 3, by type of benefit, is as follows:

Life Insurance (Gross and Net)	$ 449,108,684
Annuities	7,136,596,069
Total	$7,585,704,753

As of December 31, 2003, GIAC held reserves for direct-written fixed and variable annuities, ten-year term insurance, variable life insurance (VLI) and variable universal life insurance. The only VLI currently being issued was developed by an affiliate, PALIC and is referred to as the Park Avenue Life (PAL) plan.

The overwhelming majority of GIAC's business relates to variable deferred annuities under individual and group contracts for which GIAC holds full account values as the reserve. The fixed interest segment is reported in the General Account (GA) annual statement, whereas the variable segments are reported in the Separate Accounts (SA) annual statement. GIAC also holds sizeable reserves for the variable segment of the variable life insurance policies. Most of the investment risks are borne directly by the contract owner. GIAC holds full account values as the reserve for these contracts, thereby minimizing the only other significant risk (i.e., guaranteed minimum death benefits). Moreover, GIAC has earmarked a significant portion of its surplus to cover such risk, consisting of the annuity mortality fluctuation fund and the incidental death benefit reserve, which are special surplus funds. These funds were reviewed without exception. Because of the special surplus funds and the conservative nature of the vast majority of GIAC's reserves, only a limited amount of reserve testing at individual policy levels was performed. That testing, which involved the variable universal life and immediate annuity products, indicated that reserves for these two business segments appear to be reasonably calculated. The other balance sheet items involved less risk to GIAC and were analyzed by trend analysis (which produced reasonable results) and an in depth review of the Actuarial Opinion Memoranda (AOM) which included asset adequacy/cash flow testing (CFT) analysis for the examination period. Based on that review, INS has accepted the conclusion that additional actuarial reserves were not required as of December 31, 2003. However, several areas of concern have arisen as a result of the review of the asset adequacy/CFT analyses. As a result of these concerns the following recommendations are made:

- Include a discussion of the major risks associated with each of the actuarial liability segments covered within the AOM.
- Include a description of the various products, including those not subject to CFT analysis. Terminology such as "annuities that are no longer being sold" should be better qualified by a listing of such policies by policy form or generic description.
- The discussion of the asset portfolio should include the quality and the nature of the assets supporting all actuarial liabilities and default assumptions.
- Coordinate tables showing those liabilities subject to cash flow testing in the Statement of Actuarial Opinion and the Actuarial Memorandum for Cash Flow Testing.
- Make a longer projection period such that approximately 10% of the initial liabilities remain in force at the end of the projection period.
- Show greater detail of projected yearly cash flows in order to document the sources of surplus arising by projection year.
- Include a discussion of the ramifications of projected negative surplus prior to the end of the projection period.
- Include a discussion and a presentation of results for all analyses done.
- Include in cash flow testing certain annuity products omitted from cash flow testing.

Reserves were reviewed for compliance with the standard actuarial valuation guidelines and applicable National Association of Insurance Commissioners' Actuarial Guidelines and Model Regulations. Reserves for sampled policies were calculated in accordance with standard actuarial practice. INS determined that the correct mortality table was not used for male lives under immediate annuity contracts valued using the Annuity 2000 mortality table. This understated annuity reserves. This was partially offset by reserves that exceeded the statutory minimum reserves under immediate annuity contracts valued using the 1971 IAM and 1983 IAM mortality tables. The net reserve understatement is considered immaterial and no financial adjustment is necessary. Reserve methodology was reasonable and consistent.

It is recommended that the Company use the correct mortality rates for immediate annuity reserves calculated using the 2000 male annuity table.

Reserves for deferred annuities were not calculated for the policies sampled since they are equal to the account value. Policy forms were reviewed and it was concluded that there were no product features associated with these forms that would cause minimum statutory reserves to exceed the account values. Account and cash values of deferred annuity policies in the sample were verified against contract holder statements. No inconsistencies were noted.

The majority of GIAC's reserve is held for variable deferred annuities (VDA) under individual and group contracts. Most of the investment risks are borne directly by the contract owner. GIAC conservatively holds full account values as the reserve for these contracts, thereby minimizing the only other significant risk that is the guaranteed minimum death benefit (GMDB). GIAC has established an annuity mortality fluctuation fund to cover the GMDB risk.

The examination included a verification of the accuracy of the underlying data used to calculate reserves. Inclusion testing was also performed in order to ensure that valuation files are essentially complete. The policy sample tests indicated an absence of errors in the underlying data used for valuation. The inclusion testing indicated that the valuation files are complete. Life insurance and immediate annuity data validity samples were also used to test individual policy reserves.

MARKET CONDUCT ACTIVITIES

The market conduct review of the Company was conducted simultaneously with the financial examination of the Company. A review was made of the Company's market conduct activities with regard to its business practices and ability to fulfill its contractual obligations to policyholders and beneficiaries. Records and documentation relevant to these operations were reviewed. It should be noted that market conduct reports from other jurisdictions were also reviewed to obtain potential areas of concern. A summary of the results of the market conduct activities, which were, reviewed follows:

Sales and Advertising

The Company has a national advertising campaign emphasizing financial strength. Each product has a package of sales material, which includes an application, product profile, fund critiques and a prospectus. The Company, in accordance with state statutes, publishes an annual statement synopsis in local newspapers. The Company's promotional advertising materials, were reviewed and it was determined that they were in compliance with the provisions of Section 2304 of the Delaware Insurance Code.

Underwriting

Life underwriting is performed by the personnel of and under the same guidelines as the parent, Guardian Life. The agent and applicant complete the application and schedule the medical examination, investigative review and lab tests. The completed application and examination results are sent to one of three underwriting offices where it is compared to the Company's underwriting guidelines. The underwriting guidelines are a collection of industry rating and experience publications. The reinsurers and retrocession reinsurers require pre-issue underwriting on jumbo or substandard risks. When all the information is gathered and reviewed, the policy is issued or denied from the underwriting office. The review was performed to ascertain the Company's practices with regard to the following areas: compliance with policy provisions; compliance with underwriting guidelines; consistency in the application of underwriting standards; compliance with applicable statutes and regulations; accuracy of return premium calculations; prompt notification of declination or rescission; and unusual decisions made by underwriting personnel. No significant exceptions were noted.

Policy Forms:

Through a review of the policy forms in use during the period under examination, it was determined that they had all been properly filed with the Insurance Department. Through a sampling of policy files it was determined that none of the policies sampled had been issued prior to the Company obtaining the proper approval. This testing also confirmed that the forms had been properly approved by the other individual states.

Claims Practices:

A review was conducted of the Company's current claims processing procedures from initial report through settlement. The procedures are comprehensive and adequately documented. The information requested of the claimants is reasonable as well as thorough. The Company's claims register was reviewed and verified to actual claim files on a sample basis. In addition, a sample of ten death claims were reviewed and it was determined that the Company was in compliance with Section 2914 of the Delaware Insurance Code (Settlement of Death Benefits) and Delaware Department of Insurance Regulation 26 (Prohibited Unfair Claim Settlement Practices). It was determined that the data reported in the claims register was adequate and that the Company acknowledged communications from the claimants in a timely manner.

Complaint Handling:

A review was conducted of the Company's complaint handling process. Complaint logs were reviewed for the period under examination. It was determined that the complaint logs had been maintained in accordance with provisions of Section 2304 (17) of the Delaware Insurance Code complaint logs. A review of the actual complaint files revealed that the Company was not handling complaints promptly.

> **It is recommended that the Company comply with Delaware Insurance Code Section 2304 (17) by maintaining a complete record of all of the complaints, which it has received. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. For purposes of this subsection, "complaint" shall mean any written communication primarily expressing a grievance.**

On a going forward basis the Company has instituted a process for complaints which have not been resolved in a timely manner but are within statutory compliance for the appropriate regulatory jurisdiction of the complainant. In these situations, a follow-up notice will be sent to the respective area that was handling the complaint with a copy also sent to General Counsel of Guardian Life.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The summary of recommendations proposed as a result of the previous Report of Examination, and the disposition of such items since that exam, are as follows:

Previous Recommendation	Action by Company
It was recommended the Company refile the 1999 Annual Statement general interrogatories page in all states where filings	The Company has complied.

were made and the same be done for the 2000 Annual Statement general interrogatories page.	
It was recommended the Company adhere to section 5004 of the Delaware Insurance Code and file the Insurance Holding Company Statement on time.	The Company has complied.
It was recommended the Company adhere to annual statement instructions and record annual statement balances on the NAIC designated annual statement line categories.	The Company has complied.
It was recommended that future AOMs automatically include the following: • Greater details of projected results, in order to document the sources of surplus arising by projection year. • A discussion of the major risks associated with each of the actuarial liability segments covered within the AOM and expansion of the discussion of the quality, nature and adequacy of assets supporting actuarial liabilities to include any actuarial liabilities not covered by CFT analysis. • A discussion of the appropriateness of using data files prior to year end, including an assertion that the conclusions drawn would not have been materially different had the testing been performed using December 31st in force assets and liabilities instead, and a tabular presentation comparing assets and liabilities as of both dates. • A more thorough discussion of the ramifications of projected negative market value surplus prior to the end of the projection period.	The Company has complied.
It was recommended that future annual reserve valuation reports automatically include specific discussions of compliance with applicable National Association of Insurance	The Company has complied

Commissioners (NAIC) actuarial guidelines (AG), particularly:

- AG32, which requires that life reserves provide for immediate payment of claims.
- AG33, which requires that deferred annuity reserves valued using the Commissioners Annuity Reserve Valuation Method (CARVM) must equal the greater of the cash surrender value and the greatest present value of future benefits under all possible benefit streams: annuitization, death, and surrender.
- AG34, which requires that provision be made for, guaranteed minimum death benefits (GMDB) under variable deferred annuity contracts.

SUMMARY OF RECOMMENDATIONS

Management and Control - It is recommended that the Company comply with Section 4919 of the Delaware Insurance Code by promptly reporting changes in its principal Officers and Directors. (Page 6)

Reinsurance - It is recommended that upon entering into reinsurance agreements there should be clear and definitive provisions that accurately name the intended parties to the agreement and that such agreements should be executed in a timely manner. (Page 15)

Aggregate Reserve for Life Policies and Contracts - It is recommended that future AOM's automatically include the following:

- Include a discussion of the major risks associated with each of the actuarial liability segments covered within the AOM.
- Include a description of the various products, including those not subject to CFT analysis. Terminology such as “annuities that are no longer being sold” should be better qualified by a listing of such policies by policy form or generic description.

- The discussion of the asset portfolio should include the quality and the nature of the assets supporting all actuarial liabilities and default assumptions.
- Coordinate tables showing those liabilities subject to cash flow testing in the Statement of Actuarial Opinion and the Actuarial Memorandum for Cash Flow Testing.
- Make a longer projection period such that approximately 10% of the initial liabilities remain in force at the end of the projection period.
- Show greater detail of projected yearly cash flows in order to document the sources of surplus arising by projection year.
- Include a discussion of the ramifications of projected negative surplus prior to the end of the projection period.
- Include a discussion and a presentation of results for all analyses done.
- Include in cash flow testing certain annuity products omitted from cash flow testing. (Page 34)

Aggregate Reserve for Life Policies and Contracts - It is recommended that the Company use the correct mortality rates for immediate annuity reserves calculated using the 2000 male annuity table. (Page 35)

Complaint Handling - It is recommended that the Company comply with Delaware Insurance Code Section 2304 (17) by maintaining a complete record of all of the complaints, which it has received. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. For purposes of this subsection, "complaint" shall mean any written communication primarily expressing a grievance. (Page 38)

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Description	**December 31, 2003**	**December 31, 1999**	**Decrease**
Assets	$9,810,409,444	$11,856,586,964	$2,046,177,520
Liabilities	9,588,033,816	11,618,337,746	2,030,303,930
Capital and Surplus	222,375,628	238,249,219	15,873,591

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. is acknowledged.

Respectfully submitted,

Joseph Murano Jr., CFE
Examiner In-Charge
State of Delaware